ANNUAL BUDGET OF-

GAMAGARA LocalMunicipality(NC 453)

MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK
2013/14 – 2015/16

ANNUAL BUDGET OF

GAMAGARA LOCAL MUNICIPALITY

2013/14 TO 2015/16

MEDIUM TERM REVENUE AND

EXPENDITURE FORECASTS

Copies of this document can be viewed:

- In the foyers of all municipal buildings
- All public libraries within the municipality
- At www.gamagara.co.za
- At www.treasury.gov.za

Table of Contents

Executive Summary

The 2013 budget review notes that spending plans outlined in the 2013 budget continue to support governments commitment to broadening service delivery and expanding investment in infrastructure, while taking account of the constrained fiscal environment. South Africa's economy has continued to grow, but at a slower rate than projected at the time of the 2012 budget. GDP growth reached 2.5% in 2012 and is expected to grow at 2.7% in 2013, rising to 3.8% in 2015. Inflation has remained moderate, with consumer prices rising by 5.7% in 2012 and projected to increase by an average of 5.5 per cent a year over the period ahead.

The medium term expenditure framework (MTEF) uses the National Development Plan (NDP) as a point of departure. The NDP sets out an integrated strategy for accelerating growth, eliminating poverty and reducing inequality by 2030. The NDP supported by the New Growth Path and other programmes provides a platform to look beyond the current constraints to the transformation imperatives over the next 20 to 30 years. The NDP emphasizes the need to lower the cost of living for households and reduce the cost of doing business for small and emerging enterprise. These objectives need to take into account fiscal sustainability, which ensures that progress will not be interrupted or reversed. This will also entail shifting the composition of spending from consumption towards capital investment.

Given the economic realities and the fact that recovery is likely to be slow we need to adopt a conservative approach when projecting our expected revenues. We should also pay attention to the affordability of tariff increases especially on main services, managing all revenue and expenditure and cash streams effectively, and carefully evaluating all spending decisions. As a sphere of government we are required to incorporate the objectives of the NDP and National Growth Path after consideration of the Spatial Development Framework (SDF) into our IDP.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers.

National Treasury's MFMA Circular No. 51 and 54, 58, 59, 66 and 67 were used to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2013/14 MTREF can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Ageing and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity(due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents.Continuous high tariff increases are not sustainable - as there will be a point where services will no-longer be affordable;

- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced because the sale of land was not realized and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2013/14 MTREF process; and
- High exposure on borrowings which restricts us from borrowing further for infrastructure development.
- The continuous growth of the town which places a huge burden on the municipality to either upgrade its bulk services or develop new bulk infrastructure.
- Lack of proper planning and prioritisation by user department; i.e. most of the activities in the budget are not supported with business plans and this adds unnecessary pressure on the finance department during the compilation of the budget. The MTREF makes provision for 3 year rolling plan to allow for proper planning.

The following budget principles and guidelines directly informed the compilation of the 2013/14 MTREF:

- The 2012/13 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2013/14 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2013/14 Medium-term Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2013/14 MTREF

R thousand	Adjustments Budget 2012/13	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Total Operating Revenue	295,492	278,176	240,424	266,351
Total Operating Expenditure	208,289	214,695	224,176	254,534
(Surplus)/Deficit for the year	87,204	63,482	16,248	11,817
Total Capital Expenditure	159,655	173,767	79,968	59,660

Total operating revenue totals R278,176 million and represent a drop of 5.9 per cent for the 2013/14 financial year when compared to the 2012/13 Adjustments Budget. For the two outer years, operational revenue will increase by 15per cent and increase by 9.8 per cent respectively.

Total operating expenditure for the 2013/14 financial year has been appropriated at R214,695 million and translates into a budgeted surplus of R63,482 million that will be used to fund the capital budget. When compared to the 2012/13 Adjustments Budget, operational expenditure has increased by 2.98 per cent in the 2013/14 and 4,22 and 11.92 respectively in the 2014/15 and 2015/16 MTREF. The operating surplus for the two outer years drops to R 79,968 million and R59,660 million respectively. These surpluses which will be mainly generated from bulk services and proceeds on sale of land will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R173,767 million for 2013/14 is 8.12 per cent more when compared to the 2012/13 Adjustment Budget. The increase is largely due to the upgrade of bulk services, replacement of ageing fleet particularly in community services and contributions from the mines. The capital program decreases to R79 million and R59,660 in the 2014/15 and 2015/16 financial years respectively. A substantial portion of the capital budget will be funded from internally generated funds. Internally generated funds will contribute 37 per cent of capital expenditure in the MTREF, when government grants and transfers are excluded. The balance will be funded from grants and contributions from external stakeholders. We have made a provision for a possible loan of R30 million to fund the upgrading of the Kathu West electrical substation which if not paid no developments can take place from 2015 in town as our electricity will be operating beyond capacity . The repayment of capital and interest (debt services costs) has substantially decreased in the past financial year as a result of settlement of smaller loans and restructuring of the existing long term loans. Gamagara Municipality (Kathu in particular) continue to expand rapidly and this requires huge capital investment which requires “out of the box” creativity and thinking if we are to be equal to the challenge of raising the required funding.

1.1 Operating Revenue Framework

For Gamagara Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with a town that is growing fast, has development backlogs, ageing infrastructure and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality’s revenue strategy is built around the following key components:

- National Treasury’s guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality’s Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

Refer to table 2 in the annual budget for a summary of the 2013/14 MTREF (classified by main revenue source):

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2012/13 financial year, revenue from rates and services charges total R220, 971 million or 79.4 per cent. . A notable trend is the increase in the total percentage revenue generated from rates and services charges and this uniquely positions Gamagara municipality as one of the few municipalities that are self-sustainable and not dependent on grants. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.
Property rates total R21,3 million rand and increases to R22 million by 2015/16 and 'other revenue' which consists of bulk services totals R47 million by 2013/14. Proceeds from the sale of land totals R18, 1million in the 2013/14 financial year. Operating grants and transfers totals R33, 2million in the 2013/14 financial year and drops to R24,8million by 2014/15.

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality. Departments have been urged to review all tariffs on an annual basis to ensure they are cost reflective and market related.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of both Eskom and Sedibeng Water bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and water tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc.The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipalityhas undertaken the tariff setting process relating to service charges as follows.

1.1.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 5.6 per cent increase from 1 July 2013 is contained below:

Table 2 Comparison of proposed rates to be levied for the 2013/14 financial year

Category	Current Tariff (1 July 2011)	(from 1 July 2012)	Proposed tariff (from 1 July 2013)
	C	C	C
Agricultural Farms	0.000551	0.000606	0.0006399
Business/Res Bus Unreg	0.010323	0.011355	0.0119908
State owned/Public schools	0.006882	0.007570	0.0079939
Mining	0.013764	0.015140	0.0159878
Residential	0.006882	0.007570	0.0079939
Business	0.013764	0.015140	0.0159878
Industrial	0.012043	0.013247	0.0139888

1.1.2 Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new dam construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability.

A tariff increase of 5.6 per cent from 1 July 2013 for water is proposed. This is based on input cost assumptions of 5.6 per cent increase in the cost of bulk water (Sedibeng Water), the cost of other inputs increasing by 5.6 per cent and a surplus generated on the water service of a minimum 15 per cent. In addition we propose that the 3kℓ water granted per 30 day period to all residents for free be stopped and that 12kℓ be granted to only indigent households for free.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 3 Proposed Water Tariffs

CATEGORY	CURRENT TARIFFS 2012/13	PROPOSED TARIFFS 2013/14
	Rand per kℓ	Rand per kℓ
Potable		
(i) 001 – 0003 Kl	**Free**	**7.63**
(ii) 004 – 00012 Kl	7.23	9.12
(iii) 013 – 00035 kl	8.64	12.17
(iv) 036 – 9999 kl	11.52	
Raw		
(i) 001 – 00200 Kl	4.43	4.68
(ii) 201 – 00300 Kl	5.41	5.71
(iii) 301 – 00400 kl	8.62	9.10
(iv) 401 – 9999 kl	11.99	12.66

We further propose that council considers a single system of water supply for central Kathu and purify the water from the mine for drinking purposes as well.

1.1.3 Sale of Electricity and Impact of Tariff Increases

NERSA has announced the revised bulk electricity pricing structure but they are yet to issue a guideline increase for municipalities

However the following assumptions were made to arrive at the proposed electricity increase:

- Bulk purchases have been increased by 8% in line with Eskom's electricity tariff increase to municipalities;
- A consumer price index (CPI) of 5.6%;
- Salary and wage increases of 5,6%, in line with the increase proposed in the 2012 Medium Term Budget Policy Statement (MTBPS);
- Repairs and maintenance, capital charges and other costs have been increased by the CPI

Considering the Eskom increases, the tariffs were increased with 8% in line with the inclining block tariff guideline to offset the additional bulk purchase cost from 1 July 2013 .Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth

in electricity consumption, which will have a negative impact on the municipality's revenue from electricity.

Registered indigents will again be granted 50 kWh per 30-day period free of charge. The following table shows the impact of the proposed increases in electricity tariffs on the electricity charges for domestic customers:

Domestic Tariffs (IBTs)	**2012/13**	*Tariff Increase*	**2013/14**
Prepaid Meters	**R**	**%**	**R**
Block 1 (0-50KWh)	0.66	8	0.71
Block 2 (51-350KWh)	0.82		0.89
Block 3 (351-600KWh)	1.09		1.18
Block 4 (>600KWh)	1.29		1.39
Conventional Meters			
Block 1 (0-50KWh)	0.74	8	0.79
Block 2 (51-350KWh)	0.93		1.004
Block 3 (351-600KWh)	1.18		1.27
Block 4 (>600KWh)	1.29		1.39

It should further be noted that based on NERSA's advice we are implementing a stepped tariff structure from 1 July 2011. The effect thereof is that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor).

1.1.4 Sanitation and Impact of Tariff Increases

A tariff increase of 5.6 per cent for sanitation from 1 July 2013 is proposed. This is based on the input cost assumptions related to water. It should be noted that electricity costs contributes approximately 20 per cent of waste water treatment input costs, therefore the higher the electricity the higher the increase of sanitation tariffs. The following factors also contribute to the proposed tariff increase:

- Sanitation charges are calculated according to the percentage water discharged as indicated in the table below;
- Free sanitation (100 per cent of 6 kℓ water) will be applicable to registered indigents; and

The following table compares the current and proposed tariffs:

Table 4 Comparison between current sanitation charges and increases

CATEGORY	CURRENT TARIFF PER kℓ	PROPOSED TARIFF PER kℓ
	R	R
	2012/13	2013/14
Sewer	3.87 Plus 60.03 basic charge	4.09 Plus 63.39 basic charge

1.1.5 Waste Removal and Impact of Tariff Increases

A 5.6 per cent increase in the waste removal tariff is proposed from 1 July 2013. Higher increases will not be viable owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 5.6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

The following table compares current and proposed amounts payable from 1 July 2012:

Table 10Comparison between current waste removal fees and increases

	Current Tariffs 2012/13 R per Month	Proposed Tariffs 2013/14 R per month
Households (1 x weekly)	100.82	106.47
Business(3 x weekly)	206.54	218.11

1.2 Operating Expenditure Framework

The Municipality's expenditure framework for the 2013/14 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;

- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The budgeted allocation for employee related costs for the 2013/14 financial year totals R63, 582, which equals 33.46 per cent of the total operating expenditure. Since the three year collective SALGBC agreement came to an end, salary increases have been factored into this budget at a percentage increase of 5 per cent for the 2013/14 financial year in line with the increase proposed in the 2012 Medium Term Budget Policy Statement. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 95 per cent and the Debt Write-off Policy of the Municipality. For the 2013/14 financial year this amount equates to R2,1 million.While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been brought at cost. Note that the implementation of GRAP 17 accounting standard means bringing a range of assets previously not included in the assets register onto the register. This will result in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 5, 8 per cent of the operating expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Sedibeng Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality's repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality's infrastructure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved.Growth has been limited to 3 per cent for 2013/14 indicating that significant cost savings have been already realised.

1.2.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2013/14 budget and MTREF provide for extensive growth in the area of asset maintenance, as this emphasises the need for asset renewal strategy and repairs and maintenance plan of the Municipality.In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services.

During the compilation of the 2013/14 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipality's infrastructure and historic deferred maintenance.

1.2.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 3000 or more indigent households during the 2013/14 financial year, a process reviewed annually.Detail relating to free services, cost of free basic services, revenue lost owing to free basic services as well as basic service delivery measurement contained in table 10.

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.3 Capital expenditure

Please refer to Table A5 of the bound budget document for a breakdown of budgeted capital expenditure by vote: and also note the 'multi-year expenditure' and 'single-year expenditure' appropriations allocated to the total capital budget.

For 2013/14 an amount of R137, 468million has been appropriated for the upgrading and development of infrastructure. In the outer years this amount totals R117millionand R146million for each of the financial years. 32.80 per cent of the capital budget is funded from internally generated funds and the rest by Grants and contributions from external stakeholders.The sad news is that our Municipal infrastructure Grant has been slashed from R17 million reflected in the division of revenue bill to R10 Million in the Division of Revenue Act (DoRA). Please note that the internal funding for capital budget is envisaged from the proceeds from the sale of land and bulk services and unless that is realized no projects will be funded from internal sources.

A capital investment plan below, which contains a breakdown of the capital budget per project over the medium term, also depicts the contribution from internal revenueand other sources of funding.

1.4 Recommendations to Council

On 27 March 2013 the Council of Gamagara Local Municipality met in the Council Chambers of Gamagara Local Municipality to consider the draft annual budget of the municipality for the financial year 2013/14. The Council adopts the following resolutions:

1. The Council of Gamagara Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) adopts:

   1.1. The draft annual budget of the municipality for the financial year 2013/14 and the multi-year and single-year capital appropriations as set out in the core annual budget tables contained in the bound budget document :

2. The Council of Gamagara Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts with effect from 1 July 2013:
   2.1. the tariffs for; property rates, electricity, the supply of water, sanitation services and solid waste services – as set out in Annexure A,

3. The Council of Gamagara Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) adopts with effect from 1 July 2012 the tariffs for other services, as set out in Annexures A.

4. To give proper effect to the municipality's annual budget, the Council of Gamagara Local Municipality approves:
   4.1. That cash backing is implemented through the utilisation of the bulk services fees and the proceed from the sale of land and a portion of the revenue generated from property rates and service charges to ensure that all capital reserves and provisions, unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
   4.2. The amendments to the reviewed/ amended policies listed in part 2, page 17 in the bound document and attached as addendums 1, 2 and 3.

1.7

ANNUAL BUDGET TABLES

1.8 IDP STRATEGIC OBJECTIVES

ANNUAL BUDGET SUPPORTING TABLES

The 2013/14 Medium Term Revenue and Expenditure Framework (MTREF) has been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

a. SA4 - Reconciliation between IDP strategic objectives and budgeted revenue
b. SA5 - Reconciliation between IDP strategic objectives and budgeted operating expenditure
c. SA6 – Reconciliation between IDP strategic objectives and budgeted capital expenditure

PART 2SUPPORTING DOCUMENTATION

2.1 Budget Related Policies

The Municipal Finance Management Act, (MFMA) No 56 of 2003 and the Budget Reporting Regulations prescribe the preparing and amending of budget related policies of municipalities.

The policies used as a basis for compiling a budget can be new, revised or previously approved.

The following policies with recommended changes are produced in hard copy and those that remain unchanged will be electronically available on request.

2.1.1 Tariff policy in terms of section 74 of the Municipal Systems Act

a. Electricity
b. Water and Waste water**(to be reviewed/ amended–reduction of 6kl for all to 3kl)**
c. Solid waste

2.1.2 Property rates policy and by-law

a. Rates policy in terms of section 3 of the Municipal Property Rates Act
b. Rates by-law

2.1.3 Credit control and debt collection policy

a. Credit control and debt collection policy in terms of section 96 of Municipal Systems Act

2.1.4 Banking and investment policy published in terms of section 13 of the Municipal Systems Act

2.1.5 Financial and administrative by-law published in terms of section 13 of the Municipal Systems Act

2.1.6 SCM policy in terms of section 111 of the Municipal Finance Management Act (MFMA) (**to be reviewed/ amended – PPPFA changes**)

2.1.7 Asset management and disposal of assets policy

2.1.8 Capitalisation policy

2.1.9 Indigents policy (**to be reviewed/ amended – Free 12kl will reduce to 9kl**)

2.1.10 Budget policy and procedures

2.1.11 Virement policy

2.2

ANNEXURE A.

SERVICES TARIFFS